

**CITY OF CRESCENT**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2015**

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## City of Crescent

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brian Shea	Mayor	January 2016
Jim Beck	Council Member	January 2016
Pat Morgan	Council Member	Resigned May 2015
Chuck Hildreth	Council Member	January 2016
Bob Anderson	Council Member	January 2018
Elvis Jacobsen	Council Member	January 2018
Mary Martin	City Clerk	Indefinite
Vicki Overly	Treasurer	Indefinite

**City of Crescent**





Diane McGrain, CPA  
Jim Menard, CPA

December 9, 2015

## Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Crescent, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Continued....

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total cash basis fund balances at July 1, 2014.

#### Qualified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total cash basis fund balances at July 1, 2014, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the City of Crescent as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

#### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

#### Emphasis of Matter

As disclosed in Note 4 to the financial statements, City of Crescent adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Continued...

Other Matters

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Crescent's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total cash basis fund balance at June 30, 2014, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City's Contributions on pages 8 through 12 and 30 through 34 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 on our consideration of the City of Crescent's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Crescent's internal control over financial reporting and compliance.

*Schroeder & Associates, PC*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Crescent provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities were approximately \$660,000. Property taxes were approximately \$158,000, and operating grants were approximately \$251,000.
- Disbursements were approximately \$486,000. Public safety and public works were \$138,000 and \$90,000, respectively.
- The City's total cash basis net position decreased 1.1%, or approximately \$10,000 from June 30, 2015 to 2014. Of this amount, the assets of the governmental activities increased approximately \$208,000, and the assets of the business type activities decreased by approximately \$218,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of federal programs benefiting the City.



## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- **Governmental Activities** include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business Type Activities** include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) **Governmental funds** account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) **Proprietary funds** account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from approximately \$419,000 to approximately \$627,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		Year Ended June 30, 2015
Receipts:		
Program receipts:		
Charges for service	\$	58
Operating grants, contributions and restricted interest		251
General receipts:		
Property tax		158
Tax increment financing		112
Local option sales tax		79
Grants and contributions not restricted to specific purposes		2
Total receipts		<u>660</u>
Disbursements:		
Public safety		138
Public works		90
Culture and recreation		50
Community and economic development		75
General government		63
Debt service		70
Total disbursements		<u>486</u>
Change in cash basis net position before transfers		174
Transfers, net		<u>34</u>
Change in cash basis net position		208
Cash basis net position beginning of year		<u>419</u>
Cash basis net position end of year	\$	<u><u>627</u></u>

The City's total receipts for governmental activities were approximately \$660,000.

The cost of all governmental activities this year was \$486,313. However, as shown in the Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was only \$176,848 because some of the cost was paid by those directly benefited from the programs (\$58,628), or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$250,837). The City paid the remaining "public benefit" portion of governmental activities with approximately \$384,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		Year Ended June 30, 2015
Receipts:		
Program receipts:		
Charges for service		
Water	\$	165
Sewer		122
Capital grants, contributions and restricted interest		1,520
Total receipts		<u>1,807</u>
Disbursements:		
Water		125
Sewer		1,866
Total disbursements		<u>1,991</u>
Change in cash basis net position before transfers		(184)
Transfers, net		<u>(34)</u>
Change in cash basis net position		(218)
Cash basis net position beginning of year		<u>429</u>
Cash basis net position end of year	\$	<u><u>211</u></u>

Total business type activities receipts for the fiscal year were approximately \$1,807,000. The cash balance decreased by approximately \$218,000 from the prior year. Total disbursements for the fiscal year were approximately \$1,991,000.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Crescent completed the year, its governmental funds reported a combined cash basis fund balance of \$626,606, an increase of \$207,338 above last year's total of \$419,268. The following are the major reasons for the changes in cash basis fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$187,473 from the prior year to \$405,971. The cash balance increased because of unspent local option sales taxes, additional rescue income, and additional miscellaneous income from insurance proceeds and donations.
- The Road Use Tax Fund cash balance decreased by \$16,904 to \$4,521 during the fiscal year.
- The Urban Renewal Tax Increment Fund increased \$36,769 to \$216,114 during the fiscal year due to a payment made to a developer after the fiscal year for the current year.
- The Debt Service Fund remained at a zero balance.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$39,818 to \$26,450. Rates are based on water costs.
- The Enterprise, Sewer Fund cash balance decreased by \$258,216 to \$184,511 due to the City's share of capital improvement costs that were not covered by FEMA reimbursements.

## BUDGETARY HIGHLIGHTS

The City amended its budget one time which resulted in increasing operating disbursements by \$1,306,614 for additional costs for a sewer capital project.

The City's receipts were \$830,776 less than budgeted. This was primarily due to including short term loan proceeds in the budget.

The City's disbursements were \$570,262 less than budgeted. However, the City exceeded the amounts budgeted in the public works and debt service functions.

## DEBT ADMINISTRATION

At June 30, 2015, the city had \$1,623,000 of long term debt outstanding compared to approximately \$1,740,000 last year.

Outstanding Debt at Year-End (Expressed in Thousands)		
	Year Ended June 30,	
	2015	2014
General obligation bonds and notes	\$ 682	\$ 728
Urban renewal tax increment revenue bonds	171	196
Revenue notes	770	813
Tractor lease purchase	-	3
Total	\$ 1,623	\$ 1,740

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Crescent's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. Some of the major items discussed in the budget meetings included the possibility of raising of fees, water rates and taxes. The City decided not to make any changes to rates or fees for 2016.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Martin, City Clerk, PO Box 16, Crescent, Iowa 51526.



**City of Crescent  
Basic Financial Statements**

City of Crescent  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2015

					Net (Disbursement) Receipts and Changes in Cash Basis Net Position		

See notes to financial statements

City of Crescent  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2015

		Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Debt Service	Total
<b>Receipts</b>					
Property tax	\$ 146,203	-	-	-	146,203
Tax increment financing collections	-	-	111,611	-	111,611
Other city tax	90,482	-	-	-	90,482
Licenses and permits	6,250	-	-	-	6,250
Use of money and property	1,382	15	-	-	1,397
Intergovernmental	97,964	64,157	-	-	162,121
Charges for service	51,103	-	-	-	51,103
Miscellaneous	81,613	9,357	-	-	90,970
Total receipts	474,997	73,529	111,611	-	660,137
<b>Disbursements</b>					
Operating:					
Public safety	137,699	-	-	-	137,699
Public works	-	90,433	-	-	90,433
Culture and recreation	50,350	-	-	-	50,350
Community and economic development	463	-	74,842	-	75,305
General government	63,002	-	-	-	63,002
Debt service	-	-	-	69,524	69,524
Total disbursements	251,514	90,433	74,842	69,524	486,313
Excess (deficiency) of receipts over (under) disbursements	223,483	(16,904)	36,769	(69,524)	173,824
Other financing sources (uses):					
Transfers in	-	-	-	69,524	69,524
Transfers out	(36,010)	-	-	-	(36,010)
	(36,010)	-	-	69,524	33,514
Net change in cash balances	187,473	(16,904)	36,769	-	207,338
Cash balances beginning of year	218,498	21,425	179,345	-	419,268
Cash balances end of year	\$ 405,971	4,521	216,114	-	626,606
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Streets	-	4,521	-	-	4,521
Urban renewal purposes	-	-	216,114	-	216,114
Assigned for future city hall	2,202	-	-	-	2,202
Unassigned	403,769	-	-	-	403,769
Total cash basis fund balances	\$ 405,971	4,521	216,114	-	626,606

See notes to financial statements

City of Crescent  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2015

	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 145,962	118,790	264,752
Miscellaneous	18,709	2,870	21,579
	<u>164,671</u>	<u>121,660</u>	<u>286,331</u>
Operating disbursements:			
Business type activities	<u>116,469</u>	<u>62,688</u>	<u>179,157</u>
Excess of operating receipts over operating disbursements	48,202	58,972	107,174
Non-operating receipts (disbursements):			
Interest on investments	61	57	118
Fema reimbursements	-	1,513,142	1,513,142
Insurance proceeds	-	7,024	7,024
Debt service	(8,445)	(61,090)	(69,535)
Capital projects	<u>-</u>	<u>(1,742,807)</u>	<u>(1,742,807)</u>
Total non-operating receipts (disbursements)	<u>(8,384)</u>	<u>(283,674)</u>	<u>(292,058)</u>
Excess (deficiency) of receipts over (under) disbursements	39,818	(224,702)	(184,884)
Other financing sources (uses)			
Short term loan	-	723,800	723,800
Payment of short term loan	-	(723,800)	(723,800)
Transfers out	<u>-</u>	<u>(33,514)</u>	<u>(33,514)</u>
	<u>-</u>	<u>(33,514)</u>	<u>(33,514)</u>
Net change in cash balances	39,818	(258,216)	(218,398)
Cash balances beginning of year	<u>(13,368)</u>	<u>442,727</u>	<u>429,359</u>
Cash balances end of year	<u>\$ 26,450</u>	<u>184,511</u>	<u>210,961</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	-	115,033	115,033
Unrestricted	<u>26,450</u>	<u>69,478</u>	<u>95,928</u>
Total cash basis fund balances	<u>\$ 26,450</u>	<u>184,511</u>	<u>210,961</u>

See notes to financial statements

City of Crescent  
Notes to Financial Statements  
June 30, 2015

**NOTE (1)    Summary of Significant Accounting Policies**

The City of Crescent is a political subdivision of the State of Iowa located in Pottawattamie County and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

**A.    Reporting Entity**

For financial reporting purposes, the City of Crescent has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Pottawattamie County Assessor's Conference Board, Pottawattamie County Emergency Management Commission and Iowa Waste System Association.

City of Crescent  
Notes to Financial Statements  
June 30, 2015

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

*Expendable restricted net position* result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consist of cash balances that do not meet the definition of the preceding category. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Crescent  
Notes to Financial Statements  
June 30, 2015

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general obligation long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Crescent maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.



City of Crescent  
Notes to Financial Statements  
June 30, 2015

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws are imposed by law through constitutional provisions or enabling legislation.

*Assigned* - Amounts the City Council intends to use for specific purposes.

*Unassigned* - All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public works and debt service functions.

**F. Property Tax Calendar**

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2013, to compute the amounts which became liens on property on July 1, 2014. These taxes were due and payable in two installments on September 30, 2014 and March 31, 2015, respectively, at the Pottawattamie County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.



City of Crescent  
Notes to Financial Statements  
June 30, 2015

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No 3, as amended by Statement No. 40.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$837,567 at June 30, 2015.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**NOTE (3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 46,000	21,110	26,000	5,113	30,000	25,563	102,000	51,786
2017	46,000	20,030	27,000	4,336	35,000	25,263	108,000	49,629
2018	48,000	18,950	28,000	3,528	35,000	24,912	111,000	47,390
2019	48,000	17,810	29,000	2,691	35,000	24,247	112,000	44,748
2020	48,000	16,670	30,000	1,824	35,000	23,583	113,000	42,077
2021-2025	246,000	62,440	31,000	927	180,000	105,260	457,000	168,627
2026-2030	100,000	32,000	-	-	215,000	73,350	315,000	105,350
2031-2034	100,000	10,600	-	-	205,000	23,400	305,000	34,000
	<u>\$ 682,000</u>	<u>199,610</u>	<u>171,000</u>	<u>18,419</u>	<u>770,000</u>	<u>325,578</u>	<u>1,623,000</u>	<u>543,607</u>

City of Crescent  
Notes to Financial Statements  
June 30, 2015

**NOTE (3) Bonds and Notes Payable- Continued**

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a legal debt limit of approximately \$2,000,000 which was not exceeded during the year.

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$265,000 of urban renewal tax increment financing (TIF) revenue bonds in November 2010 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for the purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$189,419, payable through June 2021. For the current year, principal and interest paid and total TIF receipts were \$30,943 and \$111,611, respectively.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$805,000 of sewer revenue notes issued in June 2014. Proceeds from the notes refunded sewer revenue notes that provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2034. Annual principal and interest on the notes required more than 100% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,095,578. For the current year, principal and interest paid and total customer net receipts were \$60,841 and \$58,972, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account within the Sewer Fund for the purpose of making the note principal and interest payments when due.
- (c) At the time of delivery of the notes, \$62,520 shall be deposited into a principal and interest reserve account. These funds shall be used for the payment of principal and interest on the notes if, for any reason, funds on deposit in the sinking account are insufficient to pay such when due.

City of Crescent  
Notes to Financial Statements  
June 30, 2015

**NOTE (4) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

City of Crescent  
Notes to Financial Statements  
June 30, 2015

**NOTE (4) Pension Plan - Continued**

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$7,583.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$50,382. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.001245 percent, which was an increase of 0.000010 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$3,771, \$2,771 and (\$19,214), respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.



City of Crescent  
Notes to Financial Statements  
June 30, 2015

**NOTE (4) Pension Plan – Continued**

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

City of Crescent  
Notes to Financial Statements  
June 30, 2015

**NOTE (4) Pension Plan - Continued**

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 95,194	\$ 50,382	\$ 12,555

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**NOTE (5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation benefits payable to employees at June 30, 2015 primarily relating to the General Fund is \$1,732. This liability has been computed based on rates of pay in effect at June 30, 2015.

**NOTE (6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 36,010
	Proprietary:	
	Sewer	<u>33,514</u>
		<u>\$ 69,524</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**NOTE (7) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

City of Crescent  
Notes to Financial Statements  
June 30, 2015

**NOTE (7) Risk Management - Continued**

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contribution to the Pool for the year ended June 30, 2015 was \$28,702.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event that a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

City of Crescent  
Notes to Financial Statements  
June 30, 2015

**NOTE (7) Risk Management- Continued**

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (8) Commitments**

Law Enforcement Services Contract

The City has contracted for law enforcement services through June 30, 2016 for an annual cost of \$10,798.

Sewer Operations and Maintenance

The City has entered into an agreement with PeopleService for the management, operation and maintenance of the City's water and wastewater utility systems at a monthly fee of \$1,700, and meter reading and billing services at a monthly fee of \$1,405 through June 30, 2016.



## **Other Information**

City of Crescent  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Other Information  
 Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts						
Property tax	\$ 146,203	-	146,203	141,641	141,641	4,562
Tax increment financing collections	111,611	-	111,611	107,374	107,374	4,237
Other city tax	90,482	-	90,482	80,699	90,556	(74)
Licenses and permits	6,250	-	6,250	6,000	6,000	250
Use of money and property	1,397	118	1,515	3,000	3,000	(1,485)
Intergovernmental	162,121	1,513,142	1,675,263	791,832	1,865,269	(190,006)
Charges for service	51,103	264,752	315,855	463,000	1,078,069	(762,214)
Miscellaneous	90,970	28,603	119,573	7,000	5,619	113,954
Total receipts	660,137	1,806,615	2,466,752	1,600,546	3,297,528	(830,776)
Disbursements						
Public safety	137,699	-	137,699	154,999	168,350	30,651
Public works	90,433	-	90,433	212,100	77,761	(12,672)
Culture and recreation	50,350	-	50,350	31,719	72,367	22,017
Community and economic development	75,305	-	75,305	78,800	80,085	4,780
General government	63,002	-	63,002	98,450	171,500	108,498
Debt service	69,524	-	69,524	37,000	37,000	(32,524)
Business type activities	-	1,991,499	1,991,499	1,128,392	2,441,011	449,512
Total disbursements	486,313	1,991,499	2,477,812	1,741,460	3,048,074	570,262
Excess (deficiency) of receipts over (under) disbursements	173,824	(184,884)	(11,060)	(140,914)	249,454	(260,514)
Other financing sources, net:	33,514	(33,514)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	207,338	(218,398)	(11,060)	(140,914)	249,454	(260,514)
Balances beginning of year	419,268	429,359	848,627	747,028	1,717,519	(868,892)
Balances end of year	\$ 626,606	210,961	837,567	606,114	1,966,973	(1,129,406)

See accompanying independent auditors' report

City of Crescent  
Notes to Other Information – Budgetary Reporting  
June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,306,614. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amended amounts budgeted in the public works and debt service functions.

City of Crescent  
Schedule of the City's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
(In Thousands)  
Other Information  
Year ended June 30, 2015

City's proportion of the net pension liability	0.001245%
City's proportionate share of the net pension liability	\$ 50
City's covered-employee payroll	\$ 83
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.24%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Crescent  
Schedule of City Contributions  
Iowa Public Employees' Retirement System  
Last Ten Fiscal Years  
(In Thousands)  
Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 8	7	7
Contributions in relation to the statutorily required contribution	<u>8</u>	<u>7</u>	<u>7</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 85	83	80
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditors' report

City of Crescent  
Notes to Other Information – Pension Liability  
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

## **Supplementary Information**

City of Crescent  
Schedule of Indebtedness  
June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation notes:									
Water improvement	Jun 8, 2006	3.00%	\$ 400,000	\$ 243,000	-	21,000	222,000	7,290	-
Water improvement	Mar 15, 2007	3.00%	100,000	65,000	-	5,000	60,000	1,950	-
Sewer refunding	Jun 2, 2014	1.50-4.00%	420,000	420,000	-	20,000	400,000	12,914	-
				\$ 728,000	-	46,000	682,000	22,154	-
Urban renewal tax increment financing (TIF) revenue bonds									
	Nov 7, 2010	2.99%	265,000	196,000	-	25,000	171,000	5,943	-
Revenue notes:									
Water	Jun 30, 2004	5.25%	\$ 235,000	\$ 8,374	-	8,374	-	71	-
Sewer refunding	Jun 2, 2014	1.00-4.50%	805,000	805,000	-	35,000	770,000	25,840	-
Total			\$ 813,374		-	43,374	770,000	25,911	-
Tractor lease purchase									
	April 18, 2011	0.00%	\$ 15,820	\$ 3,433	-	3,433	-	-	-

See accompanying independent auditors' report



Schedule 2

City of Crescent  
Bond and Note Maturities  
June 30, 2015

Year Ending June 30,	General Obligation Bonds and Notes										Urban Renewal Tax Increment Financing				Revenue Notes	
	Water Improvement					Sewer Refunding					Revenue Bonds				Sewer	
	Issued Jun 8, 2006					Issued Mar 15, 2007					Issued Nov 7, 2010				Issued Nov 7, 2010	
	Interest					Interest					Interest				Interest	
	Rates	Amount	Rates	Amount	Total	Rates	Amount	Rates	Amount	Total	Rates	Amount	Rates	Amount	Rates	Amount
2016	3.00%	\$ 21,000	3.00%	\$ 5,000	\$ 46,000	1.50%	\$ 20,000	2.99%	\$ 26,000	1.00%	\$ 30,000					
2017	3.00%	21,000	3.00%	5,000	46,000	1.50%	20,000	2.99%	27,000	1.00%	35,000					
2019	3.00%	22,000	3.00%	6,000	48,000	1.50%	20,000	2.99%	28,000	1.90%	35,000					
2019	3.00%	22,000	3.00%	6,000	48,000	1.50%	20,000	2.99%	29,000	1.90%	35,000					
2020	3.00%	22,000	3.00%	6,000	48,000	2.65%	20,000	2.99%	30,000	1.90%	35,000					
2021	3.00%	23,000	3.00%	6,000	49,000	2.65%	20,000	2.99%	31,000	2.60%	35,000					
2022	3.00%	23,000	3.00%	6,000	49,000	2.65%	20,000	-	-	2.60%	35,000					
2023	3.00%	23,000	3.00%	6,000	49,000	2.65%	20,000	-	-	2.60%	35,000					
2024	3.00%	24,000	3.00%	7,000	51,000	4.00%	20,000	-	-	3.25%	35,000					
2025	3.00%	21,000	3.00%	7,000	48,000	4.00%	20,000	-	-	3.25%	40,000					
2026	-	-	-	-	20,000	4.00%	20,000	-	-	3.25%	40,000					
2027	-	-	-	-	20,000	4.00%	20,000	-	-	4.00%	40,000					
2028	-	-	-	-	20,000	4.00%	20,000	-	-	4.00%	45,000					
2029	-	-	-	-	20,000	4.00%	20,000	-	-	4.00%	45,000					
2030	-	-	-	-	20,000	4.00%	20,000	-	-	4.50%	45,000					
2031	-	-	-	-	20,000	4.00%	20,000	-	-	4.50%	50,000					
2032	-	-	-	-	25,000	4.00%	25,000	-	-	4.50%	50,000					
2033	-	-	-	-	25,000	4.00%	25,000	-	-	4.50%	50,000					
2034	-	-	-	-	30,000	4.00%	30,000	-	-	4.50%	55,000					
		\$ 222,000		\$ 60,000	\$ 682,000		\$ 400,000		\$ 171,000		\$ 770,000					

See accompanying independent auditors' report

City of Crescent  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
Disaster Grant - Public Assistance	97.036	DR-1998	\$ <u>1,293,736</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Crescent and is presented on the basis of cash receipts and disbursement, which is a basis of accounting other than U.S. generally accepted accounting principles. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**City of Crescent**



Diane McGrain, CPA  
Jim Menard, CPA

December 9, 2015

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities and each major fund information of the City of Crescent, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2015. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. As we were unable to satisfy ourselves as to the distribution by fund of the cash basis balance at July 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Crescent's internal control over financial reporting to determine the audit procedures appropriate in the circumstance for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Crescent's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Crescent's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

Continued...

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42 n 2<sup>nd</sup> Street  
council bluffs, iowa 51503  
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City of Crescent  
Independent Auditors' Report on  
Internal Control and Compliance and Other Matters

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Crescent's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 and II-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-15 and II-D-15 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crescent's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Crescent's Responses to Findings

City of Crescent's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. City of Crescent's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Crescent during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Independent Auditors' Report on Compliance for  
It's Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133





Diane McGrain, CPA  
Jim Menard, CPA

December 9, 2015

Independent Auditors' Report on Compliance for  
Its Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Its Major Federal Program

We have audited City of Crescent's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on the City of Crescent's major federal program for the year ended June 30, 2015. City of Crescent's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for City of Crescent's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about City of Crescent's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City of Crescent's compliance.

Continued...

City of Crescent  
Independent Auditors' Report on Compliance  
for Its Major Federal Program

Opinion on Its Major Federal Program

In our opinion, City of Crescent complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of City of Crescent is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Crescent's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Crescent's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirements of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirements of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-15 to be a material weakness.

City of Crescent's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City of Crescent's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Schroer & Associates, PC*

City of Crescent  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**Part I: Summary of the Independent Auditors' Results:**

- a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. As we were unable to satisfy ourselves as to the distribution by fund of the cash basis balances at July 1, 2014.
- b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) A material weakness in internal control over its major program was disclosed by the audit of the financial statements.
- e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) The major program was CFDA Number 97.036 - Disaster Grant - Public Assistance.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) City of Crescent did not qualify as a low-risk auditee.

City of Crescent  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**II-A-15 Segregation of Duties**

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, posting of the cash receipts to the cash receipts journal, reconciling and financial reporting are all done by the same person. The City Treasurer did not consistently review the bank reconciliations.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. Established controls should be monitored to determine that they are working.

Response and Corrective Action Planned – We have reviewed procedures and will request the Treasurer to report oversight monthly.

Conclusion – Response accepted.

**II-B-15 Financial Reporting**

Comment – During the audit, we identified general obligation debt service tax misposted to the General Fund rather than the Debt Service Fund. We also noted transfers between bank accounts posted to revenue and expense accounts. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure these payments are properly recorded in the City's financial statements.

Response – We will record these transactions properly in the future.

Conclusion – Response accepted.

**II-C-15 Disbursements**

Comment – Seven claims out of sixty tested were not approved by the Council

Recommendation – The City needs to review procedures to insure all claims are approved by the Council.

Response – We will review procedures to include all transactions between meeting dates.

Conclusion – Response accepted.

City of Crescent  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES - Continued:**

**II-D-15 Credit Cards**

Comment – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, which is authorized to use credit cards and for what purposes, as well as types of supporting documentation required to substantiate charges.

Response – We will adopt a policy.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Crescent  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

**CFDA Number 97.036: Disaster Grants - Public Assistance (Presidentially Declared Disasters)**  
**Pass-through Agency Number: FEMA-DRIA**  
**Federal Awards Year: 2015**  
**U.S. Department of Homeland Security**  
**Iowa Department of Homeland Security and Emergency Management**

- III-A-15** Undocumented Costs – Supporting documentation was not available to substantiate \$1,559 of costs reimbursed.  
(2015-001)  
Recommendation – The City should implement procedures to ensure supporting documentation is retained.  
Response and Corrective Action Planned – The State of Iowa kept records of the costs which were submitted with each claim. We will keep better records in the future.  
Conclusion – Response accepted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 97.036: Disaster Grants - Public Assistance (Presidentially Declared Disasters)**  
**Pass-through Agency Number: FEMA-DRIA**  
**Federal Awards Year: 2015**  
**U.S. Department of Homeland Security**  
**Iowa Department of Homeland Security and Emergency Management**

- III-B-15** Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-15.  
(2015-002)



City of Crescent  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**Part IV: Other Findings Related to Statutory Reporting:**

**IV-A-15 Certified Budget**

Comment – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

**IV-B-15 Entertainment Expense**

We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

**IV-C-15 Travel Expense**

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**IV-D-15 Business Transactions**

No business transactions were noted between the City and City officials or employees.

**IV-E-15 Bond Coverage**

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Crescent  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**Part IV: Other Findings Related to Statutory Reporting - Continued:**

**IV-F-15 Council Minutes**

Comment - As previously noted, we found seven disbursement transactions out of sixty transactions tested that were not approved in the Council minutes.

Although pay raises were approved, a payroll resolution noting authorized pay rate of each employee was not passed.

Also, the City did not publish all gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should ensure all disbursements are properly approved and a payroll resolution is passed each time raises are approved. The City should publish all annual salaries paid as required.

Response – We will apply your recommendations.

Conclusion – Response accepted.

**IV-G-15 Deposits and Investments**

Comment – We noted an instance of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy. Interest income was recorded in the Road Use Tax Fund. In addition, bank balances during the year exceeded the authorized depository amounts.

Recommendation – Interest income on Road Use Tax funds should be recorded in the General Fund per Chapter 12C of the Code of Iowa. The City should approve a new depository resolution increasing the authorized amounts..

Response – We will correct our coding of interest income. We will increase the authorized depository amounts.

Conclusion – Response accepted.

**IV-H-15 Revenue Notes**

The City is in compliance with the provisions of the revenue debt resolutions.

City of Crescent  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**Part IV: Other Findings Related to Statutory Reporting - Continued:**

**IV-I-15** Payment of General Obligation Debt

Comment – The City paid general obligation notes out of the General Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax must be deposited in the debt service fund."

Recommendation – The City should transfer from the General Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

Response – We will make the appropriate transfers and pay the general obligation notes out of the Debt Service Fund. The adjustment was made to correct the current year.

Conclusion – Response accepted.

**IV-J-15** Urban Renewal Annual Report

Comment – The urban renewal annual report was approved and was certified to the Iowa Department of Management on or before December 1. However, the beginning debt was understated by \$17,090.

Recommendation – The City should reconcile the report with the City's records.

Response – We will make appropriate corrections on the next report filed.

Conclusion – Response accepted.

**IV-K-15** City Annual Report

Comment – The beginning and ending cash balances reported on the annual financial report did not agree with the City cash balances. The ending balance was overstated by \$112,958.

Recommendation – The City needs to reconcile the fund balance numbers with the cash balances per the Clerk's report. The error appears to be due to treating cashed certificates of deposit as income. The City should implement procedures to ensure all transactions are reported properly. An independent person should review the report for accuracy.

Response – The Clerk did not understand what the balances in the report represented. The City will correct this report in the future and have an independent person review for accuracy.

Conclusion – Response accepted.

City of Crescent  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**Part IV: Other Findings Related to Statutory Reporting - Continued:**

**IV-L-15 Personnel Policy**

Comment – The City's personnel policy does not address if unused balances for paid time off, such as vacation and sick leave, are payable upon termination.

Recommendation – The City should update its personnel policy to address this issue in order to avoid any misunderstandings in the future.

Response – We will review our policy.

Conclusion – Response accepted.

**IV-M-15 City Code**

Comment – In accordance with Chapter 380.8(2) of the Code of Iowa, at least once every five years, a City shall compile a City Code containing all of the city ordinances in effect except trade, bond, zoning ordinances, and ordinances vacating streets and alleys. The City has not re-codified its City Ordinances in more than five years.

Recommendation – The City should re-codify the City Ordinances.

Response – We are planning to do this.

Conclusion – Response accepted.